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The **MANAGEMENT REVIEW**

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The MANAGEMENT REVIEW

November, 1928

An Attempt at Market Analysis

By EDMOND E. LINCOLN, *Economist*
International Telephone and Telegraph Corporation

EVERY business, in order to be successful, must make frequent forecasts of probable volume of sales and financial and operating results. In order to be prepared for various contingencies which may arise in the competitive situation, it is usually advantageous to project such forecasts several years ahead. However, the intelligent business man considers such forecasting merely as an aid to scientific management, and is constantly checking the results of economic and statistical forecasts in the light of practical considerations which arise from time to time as the business or industry develops.

Reasonably satisfactory methods have been devised for forecasting the total sales volume of an established business.¹ At the same time, a concern which distributes its product widely throughout the country, operating through branch houses, is frequently confronted with a more difficult problem in trying to determine what proportion of sales can reasonably be expected in various districts, and in estimating the future growth of sales in the several territories.

There are probably few products of which the sales can be expected to show a uniform growth in all sections of a country like the United States. Geography, custom, local distribution of wealth, nature of population, and character of industries, all have an important effect upon people's buying habits. Along with these factors, many more complex influences are constantly operating to affect the sales distribution of specific commodities. Hence, general conclusions based, for example, on the distribution and growth of

¹ See article by the writer in *Harvard Business Review*, October, 1926, pp. 41-46.—“Sales and Orders as an Aid to Forecasting.”

population, are frequently misleading when applied to a particular industry. Practically every type of business requires its own "market analysis."

Likewise, even in the same industry it is often necessary to make a separate analysis of the market for wholesalers and retailers. Frequently most of the factors which should be considered in a territorial analysis of retail sales are directly or indirectly related to population. However, buying habits and locations, transportation costs, and nature of business organization of purchasers, are a few of the considerations which affect the geographical sales distribution of commodities handled by wholesalers and jobbers or by the distributing department of a manufacturing concern.

Devices Commonly Used in Determining Sales Quotas

Because of the work involved in scientifically determining territorial sales quotas, as well as because of the general lack of knowledge on the subject until recently, it is probable that the majority of business concerns have been content to follow rules of thumb in this matter. Some of the devices commonly followed are the following:

1. The sales budget set for a particular territory may be based simply on the known performance of previous years, with allowance made for a reasonable percentage growth. Occasionally, though too rarely, this expected "growth" will be modified by forecasted increases or decreases in general business activity in the particular territory. When this method is followed, it is frequently assumed that the proportion of the *total* business hitherto done in the particular territory is reasonable.
2. Another method which is sometimes used to check the above is to establish some simple yardstick such as the estimated volume of sales per capita—again based largely on past performance. Then this "yardstick" is used to determine the reasonable proportion of business which should be expected from any particular territory. While this is a step in the right direction, such a measure is difficult to use as the basis of a forecast, and is frequently too inflexible for practical purposes.
3. Some companies, through their contacts and the activity of their local sales managers, are able to make a fairly satisfactory estimate of the volume of business done by their competitors in the same territory. These estimates can then be combined by the general staff and compared with the known national volume of sales of said competitors; or, if such figures are not published, the total volume can be determined with reasonable certainty from the territorial estimates. Thus it is possible to arrive at a percentage distribution of sales by districts, based upon the experience of competitors.

Such a study can frequently be used to great advantage by a distri-

butor in checking his own performance, and in establishing reasonable proportional quotas for his branch houses. However, this method, again, has the drawback that it assumes the validity of the status quo.

Obviously no one method of determining relative sales expectations in a given territory can be wholly satisfactory. Economic conditions are constantly changing, and the conclusions based upon an analysis of historical data are continuously being invalidated. Perhaps, however, an approach to the truth can be made by setting up some definite standard of performance for each territory, which will be based, not merely upon past performance, but upon definite economic considerations which can reasonably be expected to influence actual sales performance. "Standards" so arrived at can at least be used with more confidence by the central management in attempting to decide whether more business, relatively, can be expected in certain territories.

Studies to Determine Yardsticks of Performance

In order to illustrate this problem concretely, a brief résumé is here made of certain studies conducted by the writer and his associates some years ago, in order to find out whether useful "yardsticks" of performance could be set up in the electrical supply wholesale and jobbing business. Names of territories are not revealed, as they would not now apply to any specific business. Likewise, the ratios used and the standards arrived at, now have only historical and scientific interest.

As shown by the accompanying tabulations (see Tables I and II), it has been thought desirable to divide the economic influences affecting this particular type of business into two classes—"basic" factors and "variable" factors.

In all parts of the United States there are certain basic factors such as population, capacity of central stations, railroad mileage and equipment, and the like, which have a comparatively steady growth in given territories, so that within a reasonable period of time relationships between different districts, based on these factors, will probably not change appreciably.

Factors Used as an Index

On the other hand, it has been found that variations in such factors as building construction, sales of electrical energy, and bank clearings, are usually a very sensitive index of how sales possibilities in the electrical industry are affected in different localities, currently and from year to year. Data on such economic series are particularly helpful because of their timeliness; and they frequently indicate that sales possibilities are out of line with what might be expected from a mere study of the "basic" factors in a given territory, based on latest available figures.

TABLE I—BASIC FACTORS AFFECTING WHOLESALE DISTRIBUTION OF ELECTRICAL SUPPLIES
(Apportioned for Entire United States, by Districts)

District	Urban White Population (1920 Census)	Population Served by Central Stations (1922 Census)	Central Station Capacity in K.W. (1922 Census)	Residence Meters (1923 McGraw Hill)	Manufactured Products: Value Added by Manufacture (1919-1921 Census)	Total H. P. of Industrial Plants— both Steam and Electric (1919 Census)	Estimated Capital of Industrial Plants Manu- facturing Elec- trical Products	Telephones Not Owned by System (Jan. 1, 1924)	Railroad Mileage and Pas- senger Cars	Composite Factor (Weighted Average of All Preced- ing Factors)
	Per Cent	Per Cent	Per Cent	Per Cent	Per Cent	Per Cent	Per Cent	Per Cent	Per Cent	Per Cent
A	22.5	20.8	16.8	13.1	24.1	15.7	17.5	5.0	13.6	18.5
B	9.6	8.9	8.7	8.0	10.4	10.7	8.0	2.0	3.6	8.6
C	9.9	10.2	10.9	6.4	10.4	11.9	9.7	3.7	8.2	9.8
D	1.7	1.8	2.5	2.2	2.8	3.7	2.6	3.0	7.9	2.7
E	3.3	4.1	4.6	4.7	3.6	6.7	3.1	3.5	3.9	4.1
F	3.7	2.9	2.8	3.1	3.9	4.7	6.4	4.6	1.3	3.7
G	5.2	5.1	5.3	3.6	5.7	7.2	8.2	4.0	3.7	5.5
H	3.1	2.4	2.5	3.2	3.4	2.5	7.4	1.6	2.1	3.2
I	4.4	5.4	5.3	5.8	5.4	6.8	4.3	8.1	3.9	5.3
J	14.2	13.7	13.4	15.0	13.9	12.0	19.5	21.0	21.6	14.9
K	2.9	3.5	3.2	4.9	2.2	2.6	2.0	9.9	7.4	3.6
L	3.8	5.0	3.3	5.1	3.8	3.5	2.5	8.0	8.0	4.3
M	4.2	5.6	4.0	5.2	2.6	2.5	2.9	15.3	3.0	4.5
N	1.7	1.7	2.2	2.8	9	1.3	9	7	2.4	1.6
O	2.6	2.4	1.7	3.8	1.4	1.5	8	4.5	2.8	2.2
P	2.5	2.4	3.9	5.3	2.0	1.6	1.6	1.4	4.5	2.6
Q	2.2	1.9	4.9	3.9	1.5	1.4	1.3	1.2	9	2.3
R	2.5	2.2	4.0	3.9	2.0	3.7	1.3	2.5	1.2	2.6
Total .	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Weight Used for Com- bining	20	20	15	5	10	10	10	5	5	

After testing many different series, it was decided to use the following "basic" factors:

	Weight Per Cent
Urban white population	20
Population in territories served by central stations.....	20
Value of production added by manufacture (all industries).....	10
Central station capacity	15
Residence meters	5
Total horsepower of industrial plants.....	10
Capitalization of industrial plants manufacturing electrical material or products incorporating electrical material.....	10
Number of telephone stations not owned by Bell System.....	5
Railroad mileage and passenger cars.....	5

Different investigators might arrive at different conclusions as to the "basic" factors which should be chosen. However, there have been very good reasons, which it is not necessary to discuss in this connection, for selecting the above and rejecting others. Likewise, the weighting given to the various factors in order to arrive at the composite "basic" factor for each territory, has been a matter of judgment, based on past experience and relative sales possibilities to various classes of customers. Naturally, those factors having

TABLE II—VARIABLE FACTORS AFFECTING WHOLESALE DISTRIBUTION OF ELECTRICAL SUPPLIES
(Apportioned for Entire United States, by Districts)

District	Building Permits Issued (Bradstreet's) 1922-24 incl.	Production Electrical Energy 1922-24 incl.	Bank Debits 1922-24 incl.	Composite Variable Factor
	<i>Per Cent</i>	<i>Per Cent</i>	<i>Per Cent</i>	<i>Per Cent</i>
A	25.8	19.3	(1)	22.5
B	5.9	6.1	8.1	6.5
C	11.2	8.1	10.7	10.4
D	2.2	2.9	2.0	2.3
E	3.3	4.7	3.8	3.9
F	2.6	3.0	4.0	3.1
G	3.3	5.7	4.2	4.2
H	4.0	2.9	2.8	3.5
I	3.7	5.8	4.1	4.3
J	14.8	12.8	14.7	14.4
K	2.7	3.2	2.8	2.9
L	2.8	3.3	3.8	3.2
M	3.2	3.3	4.1	3.5
N	1.2	2.4	1.3	1.5
O	2.8	1.8	2.5	2.5
P	2.8	5.6	4.4	4.0
Q	5.8	4.1	3.1	4.7
R	1.9	5.0	1.1	2.6
Total	100.0%	100.0%	77.5%	100.0%
Weight Used for Combining	2	1	1	

(1) Satisfactory figures not available.

to do with population and central station development are of primary importance, and have accordingly been given the heaviest weighting because of their unquestionable influence on final results.

It has, of course, been necessary to make numerous adjustments and interpretations of particular series in order to make them properly comparable in different territories. For example, in analyzing the effect of railway mileage and equipment, it was necessary to be guided, not merely by statistical and geographical considerations, but by buying locations. This is also frequently true of sales to central stations which are controlled by holding companies.

The composite "basic" factor for each territory is arrived at by weighting the percentage of each item in the several territories by the percentage weights above indicated. (See Table I for details by districts.)

The selection of "variable" factors was also made after careful review of all available indices published at monthly intervals. The following were decided upon as being most adequate for this study:

	Weight Per Cent
Building permits, as compiled by Bradstreet's.....	50
Production of electrical energy.....	25
Bank debits outside New York.....	25

The relatively high weighting given to building, in arriving at the composite "variable" factor, is due to the fact that a very large per cent of the sales of electrical supplies are directly or indirectly influenced by new building activities. Permits granted, rather than contracts awarded, are used because at the time of the study the latter were not available according to the territorial classifications desired. (See Table II for details by districts.)

Having developed the composite "basic" and "variable" factors for each territory, the two are combined into the final index of relative sales possibilities in the respective territories, based on economic factors, by weighting in the ratio of 2 (basic) to 1 (variable), as shown in Table III. Naturally, there are some fairly marked discrepancies between some of the "basic" and "variable" factors for the different districts, but the combination of the two tends to smooth out inconsistencies.

Likewise it is possible to make reasonably accurate forecasts of the "variable" factors, for the country as a whole and by territories, so that the "basic" factors can be corrected and improved upon each year by combining with such forecasts.

Table IV presents the following comparisons:

1. A theoretically reasonable sales distribution by territories, based upon the independent economic factors as herein explained.
2. The distribution of sales which would be expected on an assumed per capita sales basis in the territory actually covered by various branches.

3. The estimated percentage distribution of sales secured by competitors in the same districts.
4. The actual average percentage distribution of sales over a 2-year period.
5. The percentage distribution of gross profits actually realized in the respective districts, over a 2-year period.
6. A similar percentage distribution of actual net profits.

Without going into details, it will be noted that in many cases there are considerable discrepancies between the various percentages. Each one, however, can be used as a check on the other.

If, over a period of time, it is found that the actual percentage performance in a given district is lower than would be indicated by the economic factors worked out, the practical sales manager may object that the theoretical figures are not reasonable—and perhaps in a given case he may be justified in this criticism. However, those who are finally in control of a distributing business can feel more confidence if they have some independent measure to apply to the performance in various districts, which will enable them always to challenge results which seem unsatisfactory.

Further, without such a measurement, inadequate performance may continue for years without being detected.

TABLE III—COMPOSITE AND FINAL FACTORS AFFECTING WHOLESALE DISTRIBUTION OF ELECTRICAL SUPPLIES
(Apportioned for Entire United States, by Districts)

District	Composite Basic Factors	Composite Variable Factors	Final Factors (derived from basic & variable factors)
	<i>Per Cent</i>	<i>Per Cent</i>	<i>Per Cent</i>
A	18.5	22.5	19.8
B	8.6	6.5	7.9
C	9.8	10.4	10.0
D	2.7	2.3	2.6
E	4.1	3.9	4.0
F	3.7	3.1	3.5
G	5.5	4.2	5.1
H	3.2	3.5	3.3
I	5.3	4.3	5.0
J	14.9	14.4	14.7
K	3.6	2.9	3.4
L	4.3	3.2	3.9
M	4.5	3.5	4.1
N	1.6	1.5	1.6
O	2.2	2.5	2.3
P	2.6	4.0	3.1
Q	2.3	4.7	3.1
R	2.6	2.6	2.6
Total	100.0%	100.0%	100.0%
Weight Used for Combining.....	2	1	

To show how such a study may be applied in practice, one or two instances will suffice:

It was found that over a two-year period District B accounted for only 4.4 per cent of the total sales, whereas economic factors indicated that it would have been reasonable to expect 7.9 per cent. It was discovered, also, that competitors were doing relatively a much better business in this territory. Further examination showed that, while only 4.4 per cent of the sales volume was realized in this territory, yet these sales accounted for 6.2 per cent of the net profits.

These facts suggested that the local management was pushing those lines which carried the highest net profit, and was building for the present rather than for the future. Further investigation on the ground showed that this assumption was correct, and steps were taken to remedy the situation.

Again, in District C it was found that the actual realization was only 6.8 per cent of total sales, whereas economic factors would indicate about 10 per cent as a reasonable possibility, even though such a figure had never been attained in practice. After checking carefully throughout the territory, it was discovered that competitors were establishing new locations rapidly in the same district. This indicated, further, that *they* believed more business was available.

TABLE IV—ESTIMATES OF SALES DISTRIBUTION BY DISTRICTS COMPARED WITH ACTUAL RESULTS, TOGETHER WITH ACTUAL DISTRIBUTION OF GROSS AND NET PROFITS

District	PERCENTAGE DISTRIBUTION OF SALES				ACTUAL DISTRIBUTION OF PROFITS (2-Year Average)	
	Reasonable Expectation Based on Economic Factors	Estimate Based on Distri- bution of Population in Territory Served	Estimates of Competitors' Business	Actual Distribution of Sales Made by Company over Preceding 2-Year Period	Gross Profits	Net Profits
	<i>Per Cent</i>	<i>Per Cent</i>	<i>Per Cent</i>	<i>Per Cent</i>	<i>Per Cent</i>	<i>Per Cent</i>
A	19.8	20.9	18.1	16.5	16.2	17.1
B	7.9	5.8	7.4	4.4	5.0	6.2
C	10.0	9.1	7.7	6.8	6.7	5.7
D	2.6	2.7	1.4	3.1	3.4	4.0
E	4.0	4.8	5.1	4.5	4.6	2.2
F	3.5	3.2	4.8	3.1	3.1	0.5
G	5.1	4.0	4.0	4.4	4.2	4.9
H	3.3	3.1	3.9	5.5	4.3	5.6
I	5.0	5.7	7.0	4.1	4.3	3.1
J	14.7	14.0	18.1	19.5	18.2	29.8
K	3.4	4.0	3.1	3.2	3.3	0.7
L	3.9	5.0	3.8	3.8	3.9	3.4
M	4.1	5.4	3.3	4.4	4.4	0.9 (loss)
N	1.6	2.0	1.3	1.8	1.8	0.9
O	2.3	3.0	2.6	4.0	3.9	3.8
P	3.1	2.5	2.7	3.8	4.5	4.6
Q	3.1	2.0	3.7	3.8	4.7	6.7
R	2.6	2.8	2.0	3.3	3.5	1.7
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Additional local study showed that not enough development work had been done, and that it would be necessary to open more branches in order to get the full proportion of business available.

Finally, it may be noted that District J shows a realization of 19.5 per cent, which is considerably above the reasonable expectation of 14.7 per cent of total sales. Likewise it was found that 29.8 per cent of the net profits of the entire company were reaped in this one territory.

It had always been assumed that the local management in this district was particularly effective, thus accounting for the relatively high sales and net profits. The management unquestionably was good; but, as a matter of fact, many other factors than management entered into the picture.

The territory happened to be one in which this particular company began to operate long before any competitor was seriously in the field. A vast amount of goodwill was built up in the earlier days, which continued to give the first company a distinct advantage. Further, a great amount of very profitable business had gradually become centered in this district for purchasers who actually operated in other territories. Therefore, neither the net profits nor the high realization on sales "possibilities" indicated so excellent a degree of performance as was at first apparent on the surface.

Comparison of Company Forecasts with Territorial Estimates

After the company sales forecast is made, it is useful to apportion the total by districts, on the basis of the economic factors developed. These figures can then be compared with the territorial estimates independently arrived at by the local managers, and differences can be reconciled. Such a check has frequently led to a large increase in profits, or to the avoidance of losses which would otherwise have been incurred.

Many other comparisons and uses of figures such as these might be indicated. To the writer, however, it seems that the main use of these independent economic sales "quotas" is to raise the question "Why?", so that performance will always be challenged in the light of an independent yardstick. It is the attempt to answer such questions which leads to all our industrial progress.

If the actual performance proves to be better than the theoretically indicated possibility, that is something for the management to explain; and the results of the explanation may help to improve performance in other districts. If, on the other hand, the actual results are less satisfactory, the central management can point out to the local management the definite possibilities in his territory, and can at least take steps to find out why these indicated possibilities are not being realized.

To find out why a better job has not been done is the first step in the process of doing a better job.

THE MANAGEMENT INDEX

Abstracts and News Items

GENERAL MANAGEMENT

New Visions in Business

If Wall Street may be taken as typical, business men are not cynical. They are, however, becoming distrustful of the flood of advice they are receiving from many quarters, including some colleges, on the conduct of their business. It is a favorite assumption that because the business man does not propound theories of business conduct, or define in so many words his principles of action in relation to his employees and those he serves, he has consequently no theories and no principles. Not being articulate or literary, a condition somewhat general among successful men, he cuts a poor figure beside the college teacher who has taken up the science of business without knowing much about the art of it. Most of us know which of these we would trust with responsibility of our affairs in a tight place, requiring instant and courageous decision. This is not to say that the flood of stuff labeling itself as psychology is all quackery, although there is a manifest oversupply. The business man does not despise science, and he is quite able to recognize the real thing when he sees it. The late Dr. Taylor and the late Frank Gilbreth did not pretend to have a "new vision." What they said was that production, to say nothing of office methods, could be enormously improved by the elimination of waste motion. By motion studies, as, for instance, when Gilbreth showed that the movements of a bricklayer could be re-

duced from seventeen to five and the output trebled, business men were convinced. *Barron's*, October 8, 1928, p. 11:1.

Personality Counts in Business

Necessary qualities of an executive are dignity, quickness of perception, courtesy and patience. To these may be added breadth and soundness of judgment and vision. The efficient executive confers, he does not dictate. Having organized himself, he organizes those about him, gives force and direction to his policies and impresses his personality upon those to whom he must look for co-operative results. By Joseph Tausek. *Nation's Business*, October, 1928, p. 52:2.

Measure Your Management

Fifty-two searching questions by which an executive can measure his performance. Eight master questions are: Have you a definite goal and definite plans? Have you an organization that fits your plans? Is it composed of able executives and competent workers? Are these individuals becoming more able and more competent? Has each a real incentive to do his best? Do you give them every facility in the way of plant and equipment? Are the conditions under which they work conducive to highest-effectiveness-per-man? Are you getting the results called for by your plans? *Industrial Executive*, September, 1928, p. 77:4.

Rationalism and Its Place in the Merchandising Scheme

The last word in the business lexicon of late has been "the new competition," and it has served as a text for many an economic sermon. Yet it is nothing more startling than the recognition of the necessity for choice by the ultimate consumer applied horizontally instead of vertically. We have begun to see competition as it exists between conflicting desires and with limited purchasing powers. Although this has been but a step in advance it has led to the more comprehensive field known as "rationalism." This contemplates the re-

organization of an industry, not merely in certain phases, such as production or distribution, but as a whole, a complete unit. It takes in scientific management leading to improvements in manufacturing technique, stabilization, standardization, distribution applied to both the function of marketing and the system of transport, with advertising as an efficient aid; and co-ordination of all these factors to achieve industrial and commercial balance. If the advertising man of tomorrow is to perform adequately the functions of his profession he must also become a "rationalist." By C. C. Younggreen. *Printers' Ink*, Oct. 18, 1928, p. 98:4.

FINANCIAL MANAGEMENT

Budgeting Factory Operating Costs-I

The industrial engineer of the Holeproof Hosiery Company says that a thorough cost system and budgetary control are not a panacea for all factory ills and manufacturing problems, nor can they be expected to function beyond the scope of their own limitations. In the reduction of operating costs budgetary control has had to be supplemented by research on methods and product, invention of new machines and tools, and shortened factory processing routes through changed layouts of factory equipment. A sample job time clock card, cost card for direct labor, cost card for indirect labor, performance record card, and weekly cost report to foremen are shown. The foremen's report forms the basis of discussion at conferences with company executives. By E. E. Brinkman. *Manufacturing Industries*, September, 1928, p. 337:4.

Budgeting Factory Operating Costs-II

This plan of the Holeproof Hosiery Company, based on engineering studies and manufacturing improvements saves over \$60,000, or 12 per cent on indirect labor costs per year. Several forms are given showing indirect labor gain and loss, a

sample budget sheet for a typical department and a report indicating whether a department is within its weekly budget. The cost control and budget plan is not a panacea, but rather an effective defensive management tool that prevents costs from rising. By E. E. Brinkman. *Manufacturing Industries*, October, 1928, p. 425:4.

The Dawes Plan Faces Revision

Five years ago the inability of Germany to make reparation payments and her obvious bankruptcy were disturbing the finances and business of all Western Europe. The situation was relieved by the Dawes Plan, by which Germany was to be financially resuscitated, set upon her feet, and enabled to pay her reparations obligations in a systematic way, beginning with payments relatively small and gradually rising to the maximum of two and a half milliard marks annually. The period of maximum payments has now arrived. In one way the Plan has been a brilliant success, for the reparation sums have been paid with remarkable punctuality so far, and the results of the Plan have been dazzling as an economic reviver. But so far in the paying of its settlements Germany

has had recourse to foreign loans. The shifting in the international money market situation which has occurred in the past year has raised a serious obstacle against further payment of reparations through foreign borrowing. The Dawes Plan itself recognizes that the only real solution to the problem lies in "making Germany's earnings abroad equal to the payments she must make abroad." The Dawes Plan, therefore, has been but an interim arrangement after all and the time has come for its revision or replacement.

A general liquidation of reparation and other war debts in one big financial operation, in which the United States of course would have to participate, has been suggested as a solution of the problem. About one-half of the present reparations debt could be covered by the sale of the German railroad and industrial securities created by the Dawes Plan in the open market. The other half could be taken care of by selling German government bonds issued for this purpose. Great difficulties lie in the way of such a gigantic operation, but despite the difficulties, the necessity for some such plan is obvious for Germany will certainly not be content to pay to the allies the sum of 2,500,000,000 marks each year for fifty-seven years to come. By Stephen Bell. *Commerce and Finance*, September 26, 1928, p. 2075:1.

Federal Reserve Policies

Further light has been cast upon Federal Reserve policies of the past year by Governor W. P. G. Harding, of the Federal Reserve Bank of Boston, and former Governor of the Federal Reserve Board. Governor Harding appeared before the committee, which is considering the improvement of the banking system in Canada, in response to a request for his views in regard to the banking system in the United States, with particular mention of the Federal Reserve System. He gave the committee a complete picture of the American

banking structure but only such extracts from his remarks as are interpretive of present-day problems are presented here. This article will prove of special interest in view of the wide criticism, both favorable and unfavorable, of the recent Federal Reserve policy in raising the rediscount rate. *American Bankers Association Journal*, September, 1928, p. 232:2.

Simple Budget System Aids in Plant Management

A budget control sets up a definite goal of attainment and furnishes a yardstick by which all phases of the business program may be adjusted. Although the budget is contrived to control it cannot take the place of management. There follows a description of budget procedure illustrated by several forms. By J. J. Berliner. *Iron Trade Review*, September 20, 1928, p. 693:3.

Limitations of Financial and Operating Ratios

The use of financial and operating ratios as a means of rendering accounting statements more intelligible and significant is at best merely a supplementary device, really useful only as its limitations are clearly perceived. Above all it should be emphasized that such calculations can never be a substitute for judgment. The interpretation and effective use of statements is at bottom a matter of clear-cut analysis and discriminating judgment or common sense, and at best a ratio is nothing more than a clue, a starting point for study and investigation. The effective use of this tool awaits the construction of sound standards of measurement. Further, generalizations as to the significance of even the more important ratios are dangerous; each case needs independent study.

One fact that is often overlooked is that financial and operating ratios are of different orders of importance. In Mr. Paton's judgment, the following ratios are of the first order of significance: (1)

net return to investment; (2) proprietary equity to total assets; (3) expenses to gross earnings or volume of business. He would include as examples of "second-class" ratios: (1) current assets to current liabilities; (2) current assets to fixed assets; (3) fixed assets to long-term liabilities; (4) current assets to unappropriated surplus; (5) surplus to total proprietorship, and so on.

In the use of ratios, the procedure should be somewhat as follows: (1) Select the relatively few relationships of this character which can have any real significance, which hold forth any promise. (2) Calculate these percentages, preferably for several past periods as well as for the current period. (3) Exhibit the results in the most effective manner, perhaps in graphic form, in each case in comparison with the standard. (4) Point out all considerable variations from standard. (5) Investigate the causes of these variations wherever possible. (6) In the one or two cases, if any, where action is possible or feasible revamp managerial policy appropriately. By W. A. Paton. *The Accounting Review*, September, 1928, p. 252:9.

A Survey of the American Bankers Convention in Philadelphia, Oct. 1-4

Two main impressions stand out in the writer's mind as representing the dominant interest of the convention in Philadelphia of the American Bankers Association. The first is the concern felt by the bankers of the country over the present state and use of bank credit; this concern was expressed not only in the resolutions adopted by the General Convention, but in several of the leading addresses. The second is the energetic and systematic way in which the more progressive bankers of the country are undertaking to adopt and enforce everywhere the standards and methods of sound banking practice. It was pointed out in more than one of the addresses that there are too many banks and too many bankers—especially inefficient bankers; and as the crusade for sound banking practices every-

where falls within the scope of the Clearing House Division of the association, the convention program of that division was especially prominent, especially forceful, and is given in this survey a proportionately prominent place. By Benjamin Baker. *The Annalist*, October 12, 1928, p. 552:2.

The Duties of the Controller

This article by a recognized authority on accounting gives the results of a questionnaire sent to fifty industrial concerns on the varying functions of the controller. Of the nineteen functions outlined in the questionnaire, twelve were found to be common to all controllers in the fifty companies, while the remaining seven were duties of the controller in only part of the companies. Mr. Kester then goes on to indicate what type of organization within the controller's office is best suited, in his opinion, to the proper carrying out of the major functions of the controller as follows:

One branch of the controller's office, comprised of a chief accountant and his staff and of an auditor and his staff, should have charge of record making and proving. A second bureau should have charge of the work of analysis and statistics. A third branch or bureau should be entrusted with the general supervision of the budget, in charge of a budget director. A fourth bureau might well have charge of standards and standard work, including the building of operating standards, ratios, and measuring sticks, and the development of standard practice manuals and supervision over the forms and paper work of the company. A fifth bureau would have general supervision over the report making and drafting activities of the company. A sixth bureau might well have supervision over the miscellaneous activities of the controller's office, such as insurance, taxes and general office management. By R. B. Kester. *The Accounting Review*, September, 1928, p. 237:15.

Will Gold Imports Relax Our Money Market?

The fairly widespread expectation that gold movements during the autumn are going to relieve the tension in the American money market does not seem to the author justified. In the face of lower interest rates in England as compared with those in the United States, shipment of gold to this country might be expected, and it has been the policy of the Bank of England to keep interest rates low in accordance with the widespread opinion in England that low interest rates encourage business, while even moderate increases discourage business, but since British financial authorities understand well that export of gold from England would automatically tighten money rates in England, they may be expected to raise their rates in anticipation of the export of gold, or to use other protective measures rather than to allow the export of gold to force them to raise their rates. The question might still arise as to the possibility of

our taking some of the free gold currently imported by Great Britain, especially from South Africa, during the autumn. There are several Continental countries whose exchanges are below par in New York, but are selling at a premium in London in terms of sterling, which can easily overbid us for this free gold, in view of the relatively trifling shipping charges they have to meet as against the rather considerable expense of the three thousand mile shipment of the gold to the United States. And there are several central banks in Europe which, as a matter of policy, would probably act to hold gold on that side, even if strictly commercial calculations did not show it to be profitable. Finally, even if gold comes to the United States from Europe in moderate volume, there is no certainty that we should make a net gain of gold. Canada ordinarily takes gold from us in the autumn and Canadian exchange is usually strong during the autumn months. By Benjamin M. Anderson, Jr. *Commerce and Finance*. October 3, 1928, p. 2122:1.

OFFICE MANAGEMENT

Space: Location, Equipment, Arrangement

Are We Being Submerged in a Sea of Noises?

The chief obstacle to a silent city lies in rebuilding our railways, and automobiles. The cost of noise-proofing the whole of New York City or Chicago has been estimated at thirty billion dollars. Yet it is possible to greatly decrease city noises, or to shut them out, at small cost. Tests made by acoustic engineers show that the most annoying sounds enter the rooms by way of the windows. The walls transmit very little sound. The old-fashioned windows composed of small panes of glass are better noise-stoppers than the large window panes. Big windows are the noisiest. When the windows are open another prob-

lem arises, but experiments have produced a sound filter, looking like a window box and capable of letting in fresh air but keeping out the city noise, which can be inserted beneath the windows. With such a device added to stiffened window-panes anyone may have an island of silence. By Uthai Vincent Wilcox. *The Office Economist*, October, 1928, p. 7:3.

Modernism Invades the Office

Salesrooms, shop fronts, entire stores, are being conceived and constructed in the modern manner, and it is only logical that the offices of business leaders should follow suit. The modern tendency is to express the individuality of the firm and to

combine beauty with utility, by introducing something of the color, comfort and variety now evident in the home, in shops, theatres, and automobiles. It is probable that modernized offices will find greater practical favor than modernistic offices.

The latter, unless handled with extreme skill, may have the stigma of a stunt performance and fail of serving the firm's best interest. By Coleman W. McCampbell. *The Magazine of Business*, October, 1928, p. 377:3.

Training and Education: Schools, Libraries, Employee Publications

Libraries from the Dollars and Cents Value-Point

The real problem of the librarian is to anticipate needs, and to have information ready when called for, as it may be at a moment's notice. In Ford, Bacon & Davis, Inc., the librarian does not make the economic study, but simply co-ordinates the information which has been pulled. It is most essential to start with an up-to-date point of view in order to save the time of a client, who is paying at the rate of \$200 or \$300 a day.

Many a time it has been found that all the information necessary on a certain project is available in the library, but it has not occurred to anyone to ask the librarian about it. Much valuable time has been lost in searching for data elsewhere when all the facts and figures were at hand. The speaker gave several interesting instances of this. By H. V. Coes. *Special Conference on Library and Research*, October 23, 1928.

How Can a Library Increase Public Appreciation of the Good in Industry?

The special librarian handles economic, business and management problems along educational or technical lines. In some libraries, in those of public utility companies, for instance, not only are employees served, but the families of employees. By this means a whole community can be taught the value of a company library, and its cultural level raised, as well. Technical libraries, in particular, can promote an appreciation of what industry can do for the improvement of a community, and can

become the means thereby of increasing the good-will of that community toward an industry. By Mrs. Hester A. Wetmore. *Special Conference on Library and Research*, October 23, 1928.

Commercial Education in 1924-1926

The term "commercial education" is used here to include that education and training which prepares specifically for an understanding of the relationships and the performance of activities in business. A survey of educational and business literature, including reports pertaining to statistics, researches, courses of study, conferences, school systems, universities, and business men's organizations, reveals a greater interest and activity in this phase of education than during any similar period. By J. O. Malott. Bulletin No. 4, Bureau of Education, Department of the Interior, 1928. 33 pages.

What Can a Library Accomplish for a Company?

The library should be considered as a workshop, not as a mere repository of books and magazines, with the librarian in charge of this material. By means of this kind of a library, executives and heads of departments are furnished with the sort of information they require, and their time is saved. As an outstanding example of this modern type of librarian there is John Cotton Dana, librarian of the Newark Public Library. However, in order to get the most value from a company library, it is essential that there should be co-operation between the executives and the librarian. The proper criterion of a library is not

its size, but the service it performs. In these rushing times our five senses cannot alone cope with modern conditions, and therefore the business library must be de-

pended upon to supply necessary data and facts. By Mirl E. Pellett. *Special Conference on Library and Research*, October 23, 1928.

Administration: Regulation, Supplies, Communications

Co-operation Through Bulletin Boards

Understanding and sympathy can be built up very simply by bulletin boards covered, not by out-of-date notices and soiled placards stuck on in a haphazard manner, but by highly colored, attractive posters, neatly arranged. Employees will always read a board if it is kept interesting and up-to-the-minute. A properly ar-

ranged bulletin board can bring splendid results in getting the workers' co-operation in carrying out the policies and ideals of the company. You can preach quality standards, production standards and safety; and as long as your board is attractive, your employees will like it. *Management Supplement, Babson's Reports*, October 15, 1928, p. 5:1.

Employee Service: Hygiene, Recreation, Safety

Physiological Factors in Office Administration

These may affect: 1. Efficiency of mind and body. 2. Chances for success in life. 3. Resistance to disease. 4. Liability to accident. Medical and dental service given by the company may vary from simple first-aid to a complete full-time staff of doctors, dentists and nurses taking entire care of employees and their families. Other factors affecting the effectiveness of work are: rest periods, recreation programs, food supply, drinking water, cloak and rest rooms, toilet facilities, floor covering sanitation, furniture and equipment, noise, light and temperature. It is possible to accomplish 35 per cent more work with 6 per cent fewer employees working under better physiological conditions without any fundamental change in methods. By I. O. Royse. *American Stationer and Office Manager*, September, 1928, p. 13:5.

Abnormal Sickness Among Typists

As a result of an investigation among girls doing typing and similar work by the Industrial Welfare Society, the general conclusions seem to be that abnormal sickness may arise from conditions such as working at high speed and great concentration; the monotony of the work; the noise of the typewriters; the cramped position

of the worker; faulty ventilation and heating of the room; defects of eyesight. The sickness referred to is particularly of the neurasthenic type. The introduction of rest pauses may help to relieve the monotony of typing, but it is more important to vary the occupation of each girl wherever possible, perhaps by giving her filing to do as well as in allowing her to frame her own replies to some of the letters. *Industrial Welfare*, August, 1928, p. 241:4.

The Menace of the Big Desk

As a temporary burying-ground for unpleasant tasks the big desk is a source of mental fatigue, and as a place where arms and hands and eyes have to be used it becomes a potent cause of actual physical fatigue. If one sits at his desk in the usual working position and marks an imaginary line by swinging each hand at an easy arm's length, the portions of the desk outside these boundaries are dangerous territory. Pen-and-ink equipment, reference works, memo pads, and other regularly used articles should be just inside this boundary. The family photographs, the vase of cut flowers, and other personal belongings should be outside this line. There is then a small area of about one and a half square feet bounded by both

these lines. Within this area is found the most effective working space for the use of both hands.

In shop operations at the assembly bench this is also where the work should be

done. The same principle applies as well to factory planning; a big working surface invites fatigue. By Donald A. Laird. *Printers' Ink Monthly*, October, 1928, p. 72:1.

PRODUCTION MANAGEMENT

Plant: Location, Lighting, Heating, Ventilation

More Accurate Factory Location for Profitable Distribution

One of the factors of major importance in lowering the physical costs of merchandise distribution is the right industrial location in relation to the final market. The production-minded men of previous generations were usually concerned with the idea of putting the factory as near as possible to raw materials, but the more logical, modern and efficient method has been to scientifically re-locate industry with an eye to the physical distribution cost of the finished product. As an example, only New England's greater advantage in skilled, experienced workmen holds many of its industries today. There are plenty of cities that offer every possible advantage for comfortable living but are physically, geographically, morally and financially unsuited for a particular business. Indications point to a stabilization of the population center which works to the advantage of the manufacturer seeking a strategic

location. Such stabilization also is indicative of the gradual leveling up of population density, which means that many manufacturers who have been successful in their own territory are missing a large volume of business by failing to locate similar plants in other equally advantageous sections. By J. George Frederick. *Distribution Economy*, October, 1928, p. 16:3.

Bringing Idle Floor Space Into Use

If the illumination throughout the plant is uniform, any area will be as usable as any other. One factory increased its production 30 per cent, with a 20 per cent decrease in floor area, and another decreased production costs with a 25 per cent decrease in floor area, all through better illumination. Concentrated layout means that each piece of work will travel a shorter distance, thus reducing production costs. By A. W. Kakilty. *Manufacturing Industries*, September, 1928, p. 377:2.

Employment: Classification, Selection, Tests, Turnover

Employers Advised to Assist Displaced Factory Workmen

In the opinion of Dr. Klein, "factory efficiency" and the "machine" do not decrease the opportunity for workers but merely alter the character and direction of that opportunity. The leading direction for this opportunity lies in the servicing industries that have arisen in consequence of high living standards growing out of higher "factory efficiency" wages. The necessity

for a more concretely helpful attitude toward the factory worker who has been displaced by a new technical device is urged on employers by Dr. Klein, in view of the difficulties in realigning energies which have been grooved, into an alien field. A helpful attitude on the part of the employer is not simply a matter of altruism. The manufacturer will be well advised if he strives to make the process of displacement as gradual and moderate as

possible and if he exerts himself to aid the employees in finding new and satisfactory positions. It is worth remembering that local business troubles or labor unrest are capable of having a very adverse effect on himself and his enterprise. The truth of the matter seems to be that for each industrial worker displaced by a factory machine there exists or arises an equally good job (or maybe a better one) in resuscitating flat tires, or keep track of payments on moleskin coats, or plugging in phone connections between San Francisco and Stockholm, or projecting Talkie-phone pictures. *U. S. Daily*, October 15, 1928.

The Problem Employee

The mental hygiene point of view in dealing with problem employees is contrasted with the usual commercial attitude. The "Job Misfit"—the problem worker—has been considered a waste product in business and industry. Whenever modern management through improved personnel methods has given much consideration to him it has been in the direction of preventing his employment, or eliminating him when discovered. The tremendous social implications involved in this neglect upon the part of the business world to deal in a constructive way with individual cases of work and personality maladjustments

are emphasized. The methods of making a psychiatric study are outlined, including the social history, the job behavior study, the physical examination, and the mental examination. Several problem cases are then described in detail, and analyzed. Some employees were found whose difficulties of personality could be satisfactorily treated without transfer to a new job. Others required occupational readjustment. A few were diagnosed as hopeless at the start; and some were abandoned after a tentative period. From a sample of 1,200 employees, about one-fifth were judged by their supervisors to be problem employees. Roughly half of those referred to the psychiatrist have been satisfactorily adjusted and are now assets instead of liabilities to the store and to society. By V. V. Anderson. *The Personnel Journal*, October, 1928, p. 203:23.

A Test for Drivers

This article by a technopsychologist and engineer in Prague describes the technique used in the selection of competent drivers of automobiles, street cars, buses or aeroplanes—a new multiple choice test which has been found valuable in employment practice. A description of the apparatus is given. By William Forster. *Personnel Journal*, October, 1928, p. 161:10.

Training and Education: Schools, Libraries, Apprenticeship, Employee Publications, Bulletin Boards

Vocational Education Declared to Receive Aid of Labor Unions

No group has been more vigorous in support of the work of the Federal Board for Vocational Education than organized labor, according to an oral statement of Frank Cushman, Chief of the trade and industrial education service of the Board.

An article in the August issue of *The Bricklayer, Mason and Plasterer* shows that the system of apprentice training sponsored by the Board under the provi-

sions of the Smith-Hughes Act meets with the desires of organized labor.

The apprenticeship training question is one of vital importance to this and every other trade union organization. The young man just indentured as an apprentice is entering a period of life when impressions are deep and lasting.

There are certain interests in the country that have been and are anxious to see our trade taught in schools that do not meet proper requirements, so-called voca-

tional and part-time schools, calculated to turn out large numbers of alleged graduates who can only be misfits in a trade that offers no place, save as drifters and incompetents.

Our local unions can and should meet this situation by seeing to it that state educational authorities conduct all apprentice training in accord with the provisions of the Smith-Hughes Act, a Federal law, which brings United States Government funds to the support of apprentice training work in states under proper conditions, limiting the training to boys actually at work at the trade.

All unions having 10 or more apprentices are urged to study the Smith-Hughes Act. They will find its provisions restrict attendance in extension training classes to boys actually apprenticed, keeping apprentice training where it actually belongs. These things can be said with emphasis because operation under the Smith-Hughes Act is no longer an experiment. *U. S. Daily*, October 2, 1928, p. 3.

Scholarships for Employees

The trustees of the Boston and Maine employees' fund have decided to devote a portion of the income from the fund to scholarships for employees who desire to receive technical training along the lines of their occupations. Each applicant will designate the training desired, and submit a statement of his experience and of the training he has already had. The awards will

be made to those employees who will benefit most from the study. Generally, the scholarships will provide for one-half of the tuition, although further awards may be made in exceptional cases. *Boston and Maine Railroad Employees Magazine*, September, 1928, p. 10:1.

A Thousand Apprentice Tool Makers

A description of the Ford apprentice school in Detroit. The scheme of instruction is similar to the co-operative plan introduced by Dean Herman Schneider at the University of Cincinnati. By Fay Leone Faurote. *Iron Age*, September 13, 1928, p. 631:3.

The Relation of Education and Income

Some of the points covered by this Alpha Kappa Psi study of the influence of education on income are the money value of education, the first school group, the earnings of high school graduates, income of college graduates, graduates in business administration, the money value of professional degrees, the influence of private schools and correspondence courses, a comparison of total life earnings, the cost of education, and incomes in selected vocations. The total earnings of the untrained man with elementary education, from 14 to 60, are about \$64,000, while those earnings of the college or technical school graduate, from 22 to 60, are from \$160,000 to \$200,000. By Everett W. Lord. *Alpha Kappa Psi Fraternity*, Indianapolis, Ind. 31 pages.

Industrial Economics: Labor and Capital, Legislation, Wage Theory, Immigration

French Firms Must Give Employment to Pensioners

Industrial and commercial establishments in France employing more than 10 workers and agricultural enterprises employing more than 15 must take 10 per cent of their personnel from pensioners as a result of a law recently made effective. This statement comes from the American Trade

Commissioner at Paris via the Department of Commerce. *U. S. Daily*, September 28, 1928, p. 1.

The Work of the International Labor Organization

It is felt that the achievements of the International Labor Organization of the League of Nations should be made more

generally known. This brief survey covers these points: 1. Evolution of international labor action. 2. Commission on international labor legislation. 3. Constitution of the international labor organiza-

tion. 4. Formulation of international standards. 5. International research. 6. Progress in legislation and ratification. *Information Service*, October 13, 1928, 5 pages.

Employee Service: Hygiene, Recreation, Lunch Rooms, Stores, Safety

Chairs for Efficiency

A tired worker is slow and inefficient. Fatigue cannot, of course, be entirely eliminated, but a great deal can be done toward keeping workers reasonably alert throughout the day. One means is the installation of chairs which will so support the body as to require the minimum of energy to maintain the best working position. The Pennsylvania Department of Labor and Industry has compiled a useful list of qualities which should be found in a good industrial chair. For instance, the back rest should be small and should be adjustable in height and slant so as to give

support to the weakest part of the back. Its support should be flexible and should not touch the body. A large saddle-shaped seat tilted toward the back will insure comfort. An adjustable foot rest should also be provided.

An excellent working arrangement is secured when the height of the work bench is correct for standing and the chair is correspondingly high so that seated or standing the worker is in the same position relative to his work. This permits him to change from a sitting to a standing position, either of which is fatiguing if used alone. *Management Supplement, Babson's Reports*, October 15, 1928, p. 5:1.

Labor Relations: Collective Bargaining, Employee Representation, Arbitration

Co-operation of Trades-Unions with Employers

Co-operation between unions and employers is taking place in many lines of activity, although there are still elements in the organized labor movement which look with misgivings and suspicion upon it. Some of the purposes for which mutual action is being undertaken include: Improvement of operating efficiency of the

plant or of the industry, introduction of new methods or machinery or improvement of the old ones, reduction of operating costs by eliminating wastes, improvement of the quality of work, increase of total production, raising the general level of sanitation and safety in the plant, and increasing the skill and efficiency of the workers. *Monthly Labor Review*, October, 1928, p. 1:23.

Benefit Systems and Incentives: Group Insurance, Pensions, Vacations, Profit Sharing, Wage Plans, Suggestions, Stock Ownership

Unemployment Insurance Is Extended in Germany

German employees having an annual income of 8,400 marks are made compulsory members of the unemployment insurance by a decree recently made effective in Germany, according to advices to the

Department of Commerce from its Berlin office.

Prior to September 1st, employees having an income of 6,000 marks or more per year were not legally bound to become members of the unemployment insurance.

As about 90 per cent of German em-

ployees have an annual income of less than 8,400 marks, the unemployment insurance comprises now not only practically 100 per cent of German laborers, but also nearly all employees. *U. S. Daily*, October 2, 1928, p. 3.

Rules and Financial Provisions of Industrial Pension Plans

This memorandum is a summary of existing material on certain phases of the pension problem rather than an original contribution and includes a brief bibliography of selected references. Prepared by the Industrial Relations Section, Princeton University.

Stimulating Interest in Home Surroundings

Competition has been found most potent in arousing the interest of individuals in the development of their home plots, and this force has been capitalized by some companies with successful results. A large coal company with operations in a number of towns conducts systematic contests each year. Prizes ranging from \$10.00 to \$25.00 are offered for the best yard and the best garden in each town. *N.I.C.B. Service Letter*, September 5, 1928.

C. P. R. Employees' Pension Plan

According to the statement of the Canadian Pacific Railway Pension Department, published in the annual report of the company for the year 1927, pension allowances for the year amounted to \$766,214. The number of former employees on the pension roll at December 31, 1927, was 1,503, of whom thirty-seven were under sixty years of age; 651 between sixty and seventy years of age; and 815 over seventy years of age. The balance in cash and investments in the fund was \$1,488,182.

This pension scheme, which was inaugurated by the Canadian Pacific Railway Company on January 1, 1903, is administered by a committee comprised of the President, the Vice-Presidents and

Chief Solicitor of the company. It calls for no contributions from the employees themselves. The benefits of the pension plan apply to those in the service of any railway, express company or steamship line operated or controlled by the company. *Manufacturing in Canada*, October 1928, p. 23:2.

How Group Bonus Aids the Superintendent

Foremen and workmen share in the effort to cut costs in the Edison Electric Appliance Company. Due to the effect that improved methods and more efficient equipment have on a foreman's bonus, new ideas are continually brought to the superintendent for consideration. By D. B. Kift. *Manufacturing Industries*, October, 1928, p. 419:2.

Incentives Cut Handling Costs 9% to 50%

A wage plan for material handling based on standard methods and organized service used by the Westinghouse Electric & Manufacturing Company. Group incentives are used and are calculated according to formulae which are given. By R. E. Jansen. *Manufacturing Industries*, October, 1928, p. 415:4.

The Problem of the Obsolescent Employee

Pensions provide for some old employees, transfers to lighter work absorb others, some who are laid off before they qualify for pensions are given a cash amount. The number of obsolescent employees may be comparatively small in each establishment, but if this situation of premature loss of productive value is as widespread as it appears to be throughout industry generally, and if this condition is to be aggravated by progress in manufacturing technique, some adequate, just and equitable solution must be found for the serious economic and social problem which it presents. *The Service Letter*, N.I.C.B., October 5, 1928.

Why Should We Pay Piece-Work Wages?

In some operations the day-rate system seems to have advantages over the piece-rate. For example, the Ford conveyors act as pacemakers, making the risk of losing the job a tremendous incentive. The

time study necessary to install a piece-work system, duplicates a study of the speed of conveyors, and is an unnecessary expense if day-rates are used. Other mass production manufacturers would profit from a study of Ford methods. By John Younger. *Manufacturing Industries*, September, 1928, p. 375:2.

Shop Organization: Planning, Methods, Job Analysis, Standardization, Waste

What Modern Equipment Has Done

The Maytag Company was able to accomplish an average production increase of 180 per cent by replacing obsolete with up-to-date equipment. Equipment is purchased on the basis that, over a stipulated period, it will save its cost minus the estimated value of the equipment it is to supersede. Drawings are shown of the 10 new machines and parts for Maytag washers. By W. A. Smith. *American Machinist*, September 27, 1928.

50% Cut in Production Control Costs

The American Multigraph Company uses pneumatic tubes, electric time clocks, tabulating equipment and other modern devices to save half the clerical labor. Illustrations show a visible traffic production board, the production schedule desk in close proximity to the pneumatic tubes, which facilitates transmittal of orders, and a planning board and pneumatic tube in each manufacturing department which eliminates the need of schedule clerks and conserves time and space. By F. J. Kunze. *Manufacturing Industries*, October, 1928, p. 429:4.

Research and Experiment

The Human Factor in Production

The continuing advance of industrial mechanization raises new problems for industrial psychology. Increasing numbers of workers are engaged in occupations in which their own effort or special abilities contribute but little to either the quantity

Local Conveyors Yield Economies

Automatic pace setters for sub-assemblies in the Cadillac plant reduce stock in departments and allow space for more machines. Illustrations are shown of a revolving circular, a plate, an overhead, a two-way roller and an endless chain overhead conveyor. By Fred L. Prentiss. *The Iron Age*, October 11, 1928, p. 889:3.

Observations on German Shop Practice

In Germany, engineers and operating men generally are interested in continuous production and are meeting the same difficulties in installations as did the pioneers in the United States. Equipment is predominantly German, but many American precision and high-production machines are to be found in the really progressive plants. Foreman training does not seem to have made much headway but training of apprentices and mechanics is fairly well organized under legislative requirements. Another requirement is that each plant employ disabled workers to the extent of 2 per cent of the number employed. By K. H. Condit. *American Machinist*, September 20, 1928, p. 467:2.

or the quality of the output. Dr. Otto Lipmann, co-founder and director of the first Institute of Applied Psychology, has observed widely and thought deeply regarding the significance of these facts. In this closely wrought manuscript, read at the Technopsychological Congress in Paris

last October, he outlines the foundations of a technopsychology adapted to modern industry, and points out the researches needed to lay these foundations solidly. By Otto Lipmann. *The Personnel Journal*, August, 1928, p. 87:9.

Research—Its Cash Value

A survey recently completed by the National Research Council shows that only 3 out of 800 manufacturers are unaware of the cash value of research. The other 797 are enthusiastic in their endorsements. One executive says: "For every dollar spent in true research we have reduced costs and increased net revenue by at least \$100." A table shows how industry uses research and what is spent for research. By Robert M. Davis. *Factory and Industrial Management*, October, 1928, p. 712:5.

We Reorganized to Develop New Merchandising Ideas

Showers Brothers Company, furniture manufacturers, have reorganized in order to get into closer touch with the retailers. Some of the ills of the furniture industry are hoped to be corrected in their research

laboratory, the first in this field. Dealers will be invited to this laboratory frequently, for mutual help, and it is hoped to have a school for retail salesmen, giving them instruction along lines which will make them better able to advise their customers. By J. M. Nurre. *Printers' Ink Monthly*, Sept., 1928, p. 43:3.

The Relation of Economic Research to Industrial Growth in America

Iron was once considered a barometer of trade. So has railway traffic been so considered. But as one indicator of trade slumps off, another takes its place. Doubts of the value of these barometers are the wide fluctuations in trade shown in such periods as 1921. It seems obvious that the best barometer of trade at present and for the future lies in the size of the postal receipts. The normal average over a period of years is that fluctuations of total trade from the line of growth would not amount to more than four or five per cent. The normal rate of growth is four per cent per annum. By Carl Snyder. *Special Conference on Library and Research*, October 23, 1928.

MARKETING MANAGEMENT

The Wholesaler Gives the Little Retailer a Hand

The wholesaler, whose early demise has been freely predicted by many economists and business leaders, is coming back with a bang. He is working out his salvation by teaming up with the independent retailer—another species upon whose future the public was bearish a short time ago—and their little act in unison, done in the best manner of Texas Guinan, is reacting favorably to both. They are effecting a new set-up to combat the inroads made by chain store competition.

A fundamental change is taking place in the status of the wholesaler, a change for which the chain store is largely re-

sponsible. The rapid and constant growth of the chains more than anything else caused the wholesaler to realize that his interests have shifted to the side of the retailer. It has likewise made the retailer realize that the wholesaler has become the source of his greatest strength.

The wholesaler used to sell *for* the manufacturer to the retailer. Under the new arrangement he rather buys *for* the retailer *from* the manufacturer. Not only that. He is extending his sphere to give the retailer the benefits of mass buying, mass advertising and mass merchandising, and in so doing, of course, he is feathering his own nest, since his well-being is indissolubly tied up with that of his customer,

the retailer. Moreover, under the new relationship in which the two are business partners, they both become better merchants, better servants to the consumer and hence, to the manufacturer. By C. W. Steffler. *Commerce and Finance*. September 2, 1928, p. 2076:1.

Five Recent Developments in Retail Deliveries

Investigation among a large number of retail delivery systems shows that many stores are now steering away from the bonus plan and substituting for it a system of salary increases which seems to offer many advantages over the previous plan. Local fleet operators' associations have rendered valuable services in solving common problems. A concern in Wattertown, Mass., has determined a system of scrapping trucks by turning one of a fleet of 24 trucks in each month. Each truck is thus used 2 years. Careful and experienced drivers are partly responsible for the fact that the trucks can be operated for 2 years with only minor repairs. The Pennsylvania Motor Truck Association has developed a cost system intended for the users of motor vehicles. Delivery statistical truck costs and departmental budgeting enable the Strouss-Hirshberg store to check truck performance, control delivery expense and trace delivery and business trends with great accuracy. By Philip L. Sniffin. *Retail Ledger*, October, 1928, p. 5.

Arrangement and Control of Salesmen's Territories

The tendency is toward intensifying sales effort in home territories, and increasing the size of distant territories. The sound policy for the coming year will be to reduce territories where intensive effort can be made profitable, even going so far as to double the number of salesmen in home territory at the expense of the more distant territories, and to increase the size of territories where selling expense is high and where business conditions are

slow. In connection with this policy it is a mistake to spend eighty per cent of the advertising appropriation to reach that group which perhaps does not even provide ten per cent of the volume. Another factor is the price of the product being sold. A safe rule to follow is that the lower the price of an article the more intensively a territory can be profitably worked. Report No. 278. *The Dartnell Corporation*. 21 pages.

The Four Big Unsettled Problems of Instalment Selling

These are: What is likely to happen to the business economy in general if a great financial and industrial crisis were to occur? Second: How best can we eliminate the abuses which are still more or less rampant in instalment selling? Third: What is the probable spread of the system, and what the applicability of instalment selling to new forms of business enterprise? Fourth: What is the influence of the system upon the consumer in particular and through him on the public in general?

In the whole range of modern business there is nothing perhaps of more importance than to ascertain the ways in which the purchasing power of the consumer may be augmented and his demand for the particular article in question be increased. Upon the solution of this problem depends the question of the next step in instalment selling. It is very certain that the success of the great captain of industry is bound up with the advantage of the consumer. He cannot in the long run earn money unless he is helping in the general progress of the community. By Edwin R. A. Seligman. *The Magazine of Business*, October, 1928, p. 373:4.

Facts That Build Sales

The old attitude toward selling placed most of the burden on the salesman; the new sales management holds that the management should plan and the salesman execute. It accepts a larger share of re-

sponsibility for the success or failure of the individual salesman. It collects and analyzes all data that will yield essential facts. It plans the sales procedure in detail on the basis of the determined facts. It maintains systematic contact with the salesman for the forward and backward flow of information.

To encourage the salesman to report worth-while information, sales management endeavors to relieve him of every unnecessary task, and to ask only for information that is usable and that cannot be obtained economically from other sources. Efficient report forms are designed to save the salesman's time, and to make it easy for him to report definite facts. *The Hammermill Survey of Business Practice. Report 5. 14 pages.*

Why We Have Modified Our Sales Policy

The Electric Hose and Rubber Company believe that the distributor's function is essential, but at the same time it must be ascertained that he is performing his economic function properly. This company has announced that in the future they will solicit business from industrial plants and dealers direct, at prices shown on the resale price sheets, at which prices distributors can also take the business with a profit to themselves. The company will not deviate from prices shown on their price sheets, but on the other hand, any

distributor handling their goods, who sells at lower prices than those listed on their price sheet, they in turn will refuse to sell. The idea of this new policy is simply to show distributors where they stand, and how they can increase their business. By C. D. Garretson. *Industrial Distributor and Salesman*, October, 1928, p. 150:3.

Can We Help Buying on the Instalment Plan?

This purchasing method touches something so fundamental in us, which is easily reached by stimulation, that it seems sensible to recognize instalment buying as an institution. Labor union men are encouraging the expansion of credit unions to cope with the complexities of the present situation, while bankers demand a closer check-up on the ability of instalment buyers to meet their future obligations.

The public must come to learn the difference between buying washing machines, vacuum cleaners, sewing machines and similar labor-saving devices on the instalment plan, and buying by the same method high-priced radio sets, expensive automobiles and jewelry. The social control of instalment selling lies partly then with the bankers and finance companies who can bring pressure to bear upon manufacturers that want to borrow money on their contracts. By Marshall Beuick. *American Federationist*, October, 1928, p. 1194:7.

Sales Promotion: Letters, House Organs, Advertising

The Ingrowing Outlook in Advertising

Discontent with advertising in its present type is growing, and will continue until advertising attains some practical basis that proximates the ordinary business thinking that surrounds it. In theory, the whole American public is sold solid every day with technically irresistible advertising when as a matter of fact to advertise profitably is one of the most difficult of all jobs. Success in advertising is rarer than

success in medicine or law. The fundamental laws of human action that make or break every advertisement are beyond our control but they are not beyond our knowing. Simple tests can establish with exactness the value of a good advertisement. The failure to make these tests is causing advertising as an art, a science, an industry, to miss its great opportunity. By Kenneth M. Goode. *Advertising & Selling*, October 3, 1928, p. 273.

The Salesman Who Knows His Buyers Too Well

There are salesmen in every organization whose sales show no increase even though their customers' sales are growing. One of the reasons for this is that they are judging their customers by their early impressions instead of basing their judgment on a constantly revised estimate of their buying ability. One sales manager checked up on all sales to old customers to see that his men kept out of this rut of just selling about the same sized order on every trip. A letter which he sent to those salesmen whom he suspected of falling into the habit of labeling customers ended with the advice not to sell them in terms of last year or five years ago. By John Garth. *Sales Management & Advertisers' Weekly*, Sept. 1, 1928, p. 500:1.

Progressive Obsolescence Is the Path to Industrial Suicide!

Progressive obsolescence, or the belief in and the practice of buying goods on the basis of obsolescence in efficiency, style or taste, according to a theory advanced by J. George Frederick, if put into effect,

would simply be playing with an "economic bootstrap." The working man would lose out because progressive obsolescence must produce so rapid a succession of changes in styles and models to justify itself that all industrial labor must cease in order to allow time for the necessary changes in plant and machinery to be made. The effect of this scheme would be disastrous also to the moral backbone of the nation, for it would play upon the selfish pride of men and women, tempting them into an endless orgy of extravagance, and concentrating the minds of people on merely materialistic possessions. By Paul J. Cardinal. *Advertising & Selling*, October 3, 1928, p. 25:2.

What Makes Sales Letters Sell?

It is important to remember in preparing copy for letters or other direct-mail intended to pull immediate business that the copy is not all-important. The most glowing copy will not sell unless there is back of it some good reason why the prospective buyer should take advantage of the proposition which is offered to him. By E. W. Husen. *Postage & The Mailbag*, September, 1928, p. 868:3.

Buying, Receiving, Storing, Shipping

Why I Vote "No" on Night Trucking

As a cure for motor vehicle congestion in cities, particularly in New York City, night trucking has been suggested. But some of the results of such a procedure would doubtless be these: insurance premiums on hold-up and burglary would increase. A chauffeur, alone, would not be safe with a valuable load, and therefore an additional man on a truck would be necessary. Expensive stocks of merchandise would be at the mercy of hold-up men who could subdue porters delegated to open stores at night to receive truck deliveries. The night police force would have to be increased.

Thousands must live within the city limits whose rest at night would be disturbed by the extra noise of night trucking. Night work is not as healthful as work during the day, and it would also disrupt the home-life of the families of these men. By Thomas R. Freebody. *Power Wagon*, October, 1928, p. 32:1.

Training for the Profession of a Purchasing Agent

The ultimate aim in the training of a purchasing agent should be to so prepare him that he will have the ability to locate materials and sources that will prove of the greatest value to his firm. Purchasing

agents must have a general knowledge of statistics and statistical technique as well as the laws controlling the action and reaction of factors affecting supply and demand. A general knowledge of economic geography is also essential. A good course in economic principles, stressing the movement of prices, their cause and effect, is a necessity in the fundamental training of a purchasing agent. Some knowledge of budgetary control is essential, also some knowledge of the principles of factory management. A few colleges and the educational departments of some branches of the Young Men's Christian Association offer groups of courses for training purchasing agents. By Roger W. Babson. *The Canadian Purchaser*, October, 1928, p. 9:2.

Buying for Small Banks

Some of the helpful suggestions mentioned are these: 1. One man should do all the buying. 2. A junior officer should do the purchasing. 3. The purchasing agent should have full authority and full responsibility. 4. A certain time should be allotted to the interviewing of salesmen. 5. To get the best price and service, the purchasing agent must be in a position to act quickly, once he has made up his mind as to what to buy. 6. It pays to cultivate

the friendship of salesmen. 7. Give the purchasing agent the use of a private room where salesmen can be interviewed in confidence. 8. Provide separate lockers for the supplies of each department to make self-service possible. 9. Number forms according to use. 10. Keep a card index of purchases. By Charles N. Watry. *The Bankers Service Bulletin*, October, 1928, p. 5:3.

Central Control of Shipping Pays Big Dividends to Chain Store Organization

The W. T. Grant Co., has a central control of all shipping, and this control is vested in a traffic division. In this division rests the responsibility for economical physical distribution. In their standard shipping instructions, directions are given as to when to use parcel post, express or freight. The instructions are made part of the order, and shippers must comply with them in every respect. If the company is obliged to go to any extra expense, or has to pay any overcharges, arising from the shipper's failure to comply with the instructions, this is deducted from the company's remittance to the shipper. By E. F. Cosgriff. *Distribution Economy*, October, 1928, p. 51:2.

Salesmen: Selection, Training, Compensation

How Schools of Business Can Help Sales Managers

The school of business has now become an integral part of the modern American university. The question that the average business man wants to know is: what are they doing for American business? First of all they can send him men trained in business-like methods of thinking and doing, with a foundation of business understanding, which the business men of previous generations could gain only by experience. Nation-wide studies have been made as well as many researches on small-

er scales. So if any sales manager wishes to find out hitherto unascertained facts in regard to his business the colleges are ready to help him, and can be depended upon to do a good job. *Sales Management & Advertisers' Weekly*, October 13, 1928, p. 89:3.

Our Salesmen Are Not Allowed to Extemporize

The Union Central Life Insurance Company requires their men to pass a prepared educational course in insurance. Also, regular study classes are held each morning

to keep all information right up to the minute. Although each salesman is well grounded in every insurance problem, he is not permitted to extemporize in his interview. Sales talks are provided to meet every need and to sell every type of insurance. No one man prepares these talks. The men get together and collaborate and so the talks are not a matter of parrot-like repetition. There is a formula for finding out just what the major ideas are for each problem, beginning from the point of what the prospect must believe before he will buy. By W. G. G. Benway. *Printers' Ink*, September 27, 1928, p. 17:4.

Our Quota-Bonus Plan

Introducing an element of friendly competition among the employees in the form of a quota and bonus plan has resulted in a decided improvement in service, has materially reduced selling costs and is thought to have been the chief contributing factor to the 17 per cent. increase in volume enjoyed by Miller, Inc. (jeweler) during the first half of the current year, while it has also produced indirect results almost equally gratifying. When the performance of the clerks was measured the results were a revelation. *Retail Ledger*, October, 1928, p. 1.

STATEMENT OF THE OWNERSHIP, MANAGEMENT, CIRCULATION, ETC., REQUIRED BY THE ACT OF CONGRESS OF AUGUST 24, 1912, of *The Management Review*, published monthly at New York, N. Y., for October 1, 1928. State of New York, } ss.:
County of New York, }

Before me, a Notary Public in and for the state and county aforesaid, personally appeared Edith King Donald, who having been duly sworn according to law, deposes and says that she is the Editor of *The Management Review* and that the following is, to the best of her knowledge and belief, a true statement of the ownership, management (and if a daily paper, the circulation, etc., of the aforesaid publication, for the date shown in the above caption, required by the Act of August 24, 1912, embodied in section 411, Postal Laws and Regulations, printed on the reverse of this form, to wit:

1. That the names and addresses of the publisher, editor, managing editor, and business managers are:

Publisher—American Management Association, 20 Vesey Street, New York City.

Editor—Edith King Donald, 20 Vesey Street, New York City.

Managing Editor—None.

The Ritter Dental Company's Sales Training Plan

The Ritter Dental Company gives their dealer salesmen an intensive, two weeks' educational training course. In the beginning the courses were given every three months, but now as nearly all dealers have been included, the school is conducted only twice a year. Since the school has been in progress, 448 salesmen have participated, and more than 70 dealers and 42 branches have been represented. By T. M. McDonauld. *Sales Management & Advertisers' Weekly*, October 13, 1928, p. 91:2.

Training Salesmen to Make Their Own Collections

The salesmen of the Chanslor and Lyon Co., are excellent collectors and they give the credit office 100 per cent co-operation because it is the policy of the house to train them to do this. They take the trouble to carefully check up on their customers before sending in orders. The practice of overloading customers with merchandise for which they cannot pay has been practically abolished. Under this system the salesmen work for the house instead of merely looking out for their own individual sales records, and they also work for the interests of the customers. By E. W. Stryker. *Printers' Ink Monthly*, October, 1928, p. 45:3.

Business Manager—W. J. Donald, 20 Vesey Street, New York City.

2. That the owner is: (If the publication is owned by an individual his name and address, or if owned by more than one individual the name and address of each, should be given below; if the publication is owned by a corporation the name of the corporation and the names and addresses of the stockholders owning or holding one per cent or more of the total amount of stock should be given.)

American Management Association, 20 Vesey Street, New York City.

C. S. Ching, President, 1790 Broadway, New York, N. Y.

John C. Orcutt, Treasurer, Woolworth Building, New York, N. Y.

W. J. Donald, Secretary, 20 Vesey Street, New York, N. Y.

3. That the known bondholders, mortgagees, and other security holders owning or holding one per cent or more of total amount of bonds, mortgages, or other securities are: (If there are none, so state.) None.

4. That the two paragraphs next above, giving the names of the owners, stockholders, and security holders, if any, contain not only the list

of stockholders and security holders as they appear upon the books of the company, but also, in cases where the stockholder or security holder appears upon the books of the company as trustee or in any other fiduciary relation, the name of the person or corporation for whom such trustee is acting, is given; also that the said two paragraphs contain statements embracing affiant's full knowledge and belief as to the circumstances and conditions under which stockholders and security holders who do not appear upon the books of the company as trustees, hold stock and securities in a capacity other than that of a bona fide owner; and this affiant has no reason to believe that any

other person, association or corporation has any interest direct or indirect in the said stock, bonds, or other securities than as so stated by him.

5. That the average number of copies of each issue of this publication, sold or distributed, through the mails or otherwise, to paid subscribers during the six months preceding the date shown above is required from daily publications only.

EDITH KING DONALD,
Editor.

Sworn to and subscribed before me this 25th day of September, 1928.

(Seal) HELEN B. STEINIGER.
(My commission expires March 30, 1929.)

Survey of Books for Executives

The Labor Problem. By J. A. Estey.
McGraw-Hill Book Co., New York,
1928. 378 pages. \$3.00.

This book is interesting reading. Its essential message is to labor union leaders, in that it develops an argument for a new plan of employee representation in industrial establishments under the auspices of a national union. In developing its story for the new plan, the book discounts the present labor union program with the following statement:

"That labor unions are not the most perfect nor the most admirable method for solving the labor problem."

Secondly, it discounts personnel work, with the statement:

"That one can understand the disrepute into which welfare work and its various offspring, have fallen."

Thirdly, the author rejects the various employee representation plans as jointly conducted by employer and employee in the same concern, with the following statement:

"The problem of achieving democratic government in industry cannot, therefore, be solved by company and shop unions."

The book then proceeds to discuss regularization of employment and in doing so says that the "contribution of management to the solution of labor problems has serious limitations. It then advocates legislation in reference to child labor, minimum wages, hours of labor, workmen's compensation laws, and unemployment insur-

ance. It closes with a chapter on the value of state interference, which concludes emphatically that "State interference can do economic good. It can raise wages, shorten hours, steady employment," etc. It refers to the limitations imposed by the Constitution of the United States as "this survival of laissez faire," "whose restrictive effects the moderate advocate of interference must bear in patience."

The body of the book presents in an excellent manner, and most comprehensively, the different views among which one must choose in forming his own opinions on any of these four methods of handling grievance adjustments. If the book were content to stop there, it could be recommended as a thought-stimulating contribution.

However, this book is permeated with personal opinions. Many positive statements purport to be facts but are really only opinions. These color the book in an unfortunate way. They reflect impatience with the conservatism of the courts. They show distrust of the motives of employers. Does not any book take an extremely pessimistic view of our present industrial system when it says, "That many workmen probably find their routine deadening, unsatisfying, exasperating"; "industrious apprentices never marry their employers' daughters; it is only the chauffeurs who do this now"; "strain, fatigue and lack of interest are inherent in the methods of machine industry"; "the typical workman of today in short has lost his economic power,

lost his individuality, lost much of his interest in work, and lost security of employment"; "the partnership of capital and labor, far from being ever moderately efficient, was productive of the worst kind of muddle and mess that reduced the work of the Nation and made everybody poorer"; "the most characteristic of employers' reforms now in common practice, were designed to promote profits rather than to do good. They represent an enlightened method of making private business successful, rather than a program undertaken in a spirit of benevolence or with a pre-occupation of social service"?

Of all the industrial concerns in the United States, only about 2 per cent employ over 1,000 people; that, I believe, is the only field where it can be claimed with any degree of accuracy that there is such a loss of individuality as this book pictures, and where the respect for the worker as an individual, is not yet fully developed.

This book gives the impression that the grievance which it decries is prevalent among the other 98 per cent of the industrial employers, among all mercantile, agricultural and professional employers also. I am sure its picture of the extent of the grievance is distorted in a mistaken way.

I believe it over-emphasizes the importance of the type of "machinery" in improving employer-employee relations. It does not matter so much how the parties get together so long as they get together. After all the customer is the true employer and managers and men are co-workers for the customer.

In its understanding of employers and their problems in management, this book is behind the times.

In featuring "industrial democracy" as more important than production of more and better goods, it appears to be ahead of the times.

Its use as a text book for college youth, as proposed in the introduction, would seem likely to off-set much of the good work being done by college personnel departments and faculties, toward college gradu-

ates starting business life sensibly and with fewer mistaken notions. I am frank to say that I don't think this book is a contribution to better industrial relations because it breathes so much suspicion where mutual confidence and respect are needed. The business life of America is more wholesome, cheerful and balanced than this book pictures, I am sure.

ROYAL PARKINSON,
Manager of Personnel Activities,
American Optical Company.

The New England Economic Situation.
Contributed by Guernsey Camp, Jr., and others. A. W. Shaw, Chicago, 1927. 260 pages.

The ever increasing interest in research and surveys in New England lends to the Harvard undergraduate economic papers presented in "The New England Economic Situation" a particular significance at this time. New England is becoming fact minded, desirous of learning the causes of her successes and failures with an eye to the scientific planning of her program for the future. These practical economic studies applied to specific problems in New England form a valuable contribution to this fact investigation.

From a practical standpoint, the studies as a whole are well handled. The data is wisely selected and evaluated and the conclusions drawn are for the most part sound. Through the use of graphs and charts, the data is presented in a most effective and comprehensible manner. If for no other reason the book is valuable as an indication of what can be done through the use of statistical data.

Let us examine a few of the conclusions drawn from the individual studies. Of particular interest are those dealing with New England's progress in relation to that of the rest of the country along specific lines. The first of these studies deals with the growth of savings deposits in New England and outside since 1911 and concludes that the rate of increase in this section has not been as great as that shown by the country as a whole. It also points

out that the highest per capita deposits are in New England, standing today at \$510 as compared with \$463 for the whole United States. In view of this fact, and since the actual amount of increase over this period is nearly as high for New England as for the country, New England's position of importance in this respect does not appear to be endangered.

Three studies are devoted to the three most important branches of New England's textile industry. A study of the development of the woolen and worsted industry since 1900 points out that New England is successfully holding her own against her strongest competitors in the Middle Atlantic states, largely as a result of her large scale production of staple goods. Conversely, the study of the development of cotton manufacturing in New England and the South over this same period points out that New England has not held her own as a result of her inability to meet Southern competition in the production of staple goods. This study further concludes, however, that the wage differentials between employees of New England and the South are steadily growing smaller and, other factors being equal, there is a real opportunity for the further development of our mills in the production of the higher grade goods.

From the study of the manufacture of knit goods and hosiery, the data shows the New England mills to have lost a great deal of ground to their competitors. This is attributed to slowness in discarding old methods of manufacture. It concludes, however, that New England can get back this ground, and has already made a start in that direction.

The study of the development of the boot and shoe industry again takes up the much discussed question of wage differentials between New England and her competitors and aims to show the distinct disadvantage placed upon our manufacturers in this respect. It attempts to show further that while piece and hourly rates are higher in this section, total annual wages

received by the worker are smaller, since the resulting high price of New England made shoes places a definite limitation upon production. Were this conclusion substantiated by appropriate data, the value of this study would have been greatly enhanced. In spite of her handicaps, however, the fact remains that New England's production of shoes in 1927 increased by 4½ per cent over that of 1926, and that New England manufacturers still make 37 per cent of the entire production.

The title chosen for the book is rather misleading, for as the foreword points out the studies in no way present a complete picture of New England's economic situation. While manufacturing is, of course, New England's greatest industry, we must not forget her importance in the fields of agriculture, commerce, and recreation. It is hoped that future studies will be undertaken in these fields with particular attention to New England's position in relation to the country as a whole.

The industrial side of the picture, too, is by no means covered. A true picture of New England's industries cannot be had without including such important groups as the great metal working industries of Connecticut or the manufacture of paper and wood pulp, Maine's most important industry. Few people also realize the importance of the electrical machinery and apparatus industry in New England. Measured by value added by manufacture, this industry now ranks third in importance in New England superseded only by cotton and boots and shoes. The growth of this industry in New England in late years has been truly remarkable. Value of products increased 217 per cent between 1914-1923 and a further gain of 28 per cent was made between 1923-1925. It is unfortunate that so important and progressive an industry was not discussed by these papers.

Other new industries are springing up in New England to take over the ground lost by her old long established ones. Rubber goods, silk, cutlery, soap, these are a few whose progress of late has been most en-

couraging. An investigation recently conducted by the New England Council in cooperation with the local chambers of commerce disclosed the fact that New England gained 209 new industries in 1927 and lost only 92.

In conclusion, then, while these Harvard undergraduate papers leave much to be hoped for in the way of future studies, they are a distinct contribution to the facts about New England. Above all they should stimulate in the mind of the average New England reader an appetite for more facts, a more complete analysis of the real situation, which accomplishment is well worth while in the mind of the New England Council.

DUDLEY HARMON,
Executive Vice President,
New England Council.

Labor in Southern Cotton Mills. By Paul Blanshard. New Republic, Inc., New York, 1927. 88 pages. 25c.

In this pamphlet, Mr. Blanshard gives the devil his due, in the matter of the better sorts of mill villages but he speaks severely about the long hours, night work and inadequate wages which are quite general. He also deprecates the attitude of the mill owners toward collective bargaining.

A Study on the Minimum Wage. By J. H. Richardson. Adelphi Company, New York, 1927. 198 pages. \$2.50.

The principal points and implications which are involved in minimum wage legislation are set forth in this book. The author assumes that minimum wage fixing by public authority, either directly or indirectly, is destined to assume increasing importance. Mr. Richardson points out that there is "no essential difference in principle between fixing a minimum wage and fixing maximum hours of labor. . . . In no country is a complete *laissez faire* attitude now attempted with regard to conditions of labor, and if the principle of interference is admitted there is no logical

reason for not dealing with the problem of wages."

The author maintains that instead of legislation limited to a few trades, a system of general application is required. He would have a national minimum as the basis of the wage system of each country. In this he sees some difficulty (perhaps he is thinking of the United States) for he admits that in a country with several distinct economic units it might be necessary to attempt a regional instead of a national basis. The book discusses the objects of minimum wage legislation; the basis attempted in different countries; the problem of the living wage; the capacity of industry to pay a national minimum; and then follows an analysis of the family allowance system, the relation between the wages of men and women, the wages of the sub-standard workers, adult learners and juveniles, and finally an examination of machinery for fixing minimum wages and the methods of enforcement. The book concludes with the question of the probabilities of international action.

The major part of the thesis is devoted to the consideration of three main propositions, namely: the capacity of industry to pay, the National Minimum, and the Family Allowance system.

The capacity of industry to pay in general should be the basis of the minimum wage. To quote: "In view of the relation between wages and productivity . . . the best basis for minimum wages appears to be the capacity to pay of industry in general" (page 68). The matter of determining industry's capacity to pay, he admits, is difficult. Strange to say, he sees little to be gained in improving wealth distribution. In other words, the relative shares now going to the different functional groups appears to be satisfactory. It is by increased "productivity" only that there will be an increase in the wages paid the lowest group of workers.

In examining the question of a national minimum, one is conscious that the author realizes that there is great difficulty in

determining a satisfactory minimum wage, for he expressly states: "Although suffering from the defect of being arbitrary, perhaps the most satisfactory method would be to fix the minimum at a given proportion of the average wage paid to unskilled workers in well organized industries. Thus the minimum wage might be fixed at, say, 80 per cent of the average paid to unskilled workers in certain of the chief industries of the district or country" (page 82).

According to Mr. Richardson, the family allowance system is desirable as a means of preventing privation among a comparatively small group of workers whose wages are exceptionally low. However, while all points are well analyzed the author's conclusions are not too convincing.

As one contemplates the whole work, it can be seen that this study will have especial value to those people who are engaged in minimum wage enforcement or those contemplating minimum wage legislation. However, the book is a demonstration of the difficulty, if not impossibility, of obtaining the solution of a problem intended for universal application. There is scarcely any major proposition that the author makes that he does not qualify by a foot-note. The modifications have a tendency to invalidate the deductions made.

It is of interest to note that the author differs from most minimum wage authorities in departing from the cost of living principle as the basis of a minimum wage. In fact, he proposes that it is better to adjust needs to income rather than adjust income to needs. His method of arriving at the minimum wage will be objected to by many because the author assumes that the present system of distribution is satisfactory. So far as international action is concerned he observes that the minimum wage of each country should at least rise in the same ratio. Here again is the suggestion that the established relative wage levels are satisfactory. The presumption is in favor of the status quo, for it is only in the increase of the national

dividend that the lower wage groups can increase their income. How certain it is that the lower wage class will share equitably in the increase cannot be learned from the authors study.

To those accustomed to economic terms this study may be of interest, but the lay reader will turn to expositions phrased in more popular language.

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Chain Store Distribution and Management. By William J. Baxter. Harper & Bros., New York, 1928. 279 pages. \$5.00.

Comprehensive information on the operating methods of various types of chain stores is presented in this book. The points are illustrated with a wealth of figures and other data of a concrete sort. The author recognizes the necessity for segregating the different kinds of chain stores for the purposes of analysis and comparison. The following classes of chain stores are each covered in a chapter:

Chain drug stores.

5 & 10 cent and general merchandise chains.

Chain department stores.

Grocery chain stores.

Chain shoe stores,

and finally chain store development in other fields such as restaurants, candy, drygoods and clothing, men's hats, etc.

In his discussion of the various types of chain stores, the author is more successful in quoting concrete operating facts about the stores than he is in bringing out the basic plans of organization. Early in the book, the "fundamental factors in chain store operation" are dealt with in one chapter. Under such a heading one would expect to learn either how a business is functionally organized and carried on, under such main functions as Real Estate, Finance, Auditing, Merchandising, Sales Promotion and Store Operation; or how

the structure of the organization is set up with the lines of responsibility passing through various executives of the main office and then the stores. In this respect the book is disappointing. Details of operation are described profusely, but they are not sufficiently subordinated to a discussion of main functions.

The book sometimes compares the average sales per store for successive years, in individual companies, without considering the fact that the annual sales of new stores opened in a year by a chain company may vary considerably from the average of the old stores, and thereby throw the next computed average completely out of line with the average of preceding years. If a chain store opened five large stores in large cities in one year and opened thirty small stores in small towns the following year, it is obvious that the "average sales per store" would show a decline for the second of the year, due to the type of current expansion rather than the comparative volume of old stores. Comparisons of sales in old stores from year to year can be made accurately only by taking the figures for an identical group of stores both years.

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The Road to Plenty. By William T. Foster and Waddill Catchings. Published for Pollak Foundation for Economic Research by Houghton Mifflin Company, Boston, 1928. 231 pages. \$2.00.

The authors relate to us, in dialogue form, a series of conversations which take place in the smoking compartment of a pullman car. These conversations all center around the underlying reasons, as the authors see them, for business inflation and depression. Contrary to many, if not most, pullman car discussions, definite conclusions are reached, and by the time we arrive at the end of the book a method of stabilizing business has been developed,

and those characters who have not been disposed of by being dropped off at various stations along the way form themselves into a committee of the whole to start the rather formidable task of endeavoring to enlist such aid as may be necessary to make the plan an operating reality.

The principal characters are a successful Business Man, a Lawyer, a Professor of Economics, a Congressman, and a "little Gray Man," who, apparently, is devoting his life to the assistance of those who are striving to bring up their families on incomes far below any accepted minimum budget figures. There should also be mentioned the "Sure-Fire Sales Shooter," representing "Semi-Silk Stockings," who adds some comedy and every once in a while a little rough and ready philosophy.

The solution suggested by the Business Man, and finally accepted by all his fellow-travellers, is not new. It consists in giving consumers, during threatened depression periods, more money through expanded credit to purchase the commodities, the manufacture of which will keep the industrial wheels turning. This is to be accomplished by the Government carrying out public works programs during such periods to whatever extent may be necessary. Conversely, during periods of threatened inflation, the Government would curtail or entirely discontinue its public works program. The most important part of the plan, however, and this part is perhaps new, is that a Government Board should be set up whose function it would be to keep itself thoroughly informed on business conditions, and in the words of the "little Gray Man"—"know when to put the foot on the brake and when to put it on the accelerator."

The form of presentation is quite novel as applied to the discussion of economic problems. Altogether the book is interesting and quite readable, and should go far toward popularizing a rather difficult problem.

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